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NEWS RELEASE

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FTC AND STATES UNITE TO THWART FUNDRAISING FRAUD

The Tennessee Attorney General's Office, Secretary of State's Office and Division of Consumer Affairs today joined the Federal Trade Commission in announcing "Operation Phoney Philanthropy" - a joint law enforcement and public education campaign to highlight fraudulent fundraising.

Fraudulent solicitors prey upon the good will of donors by misrepresenting who they are and what they do with the funds they raise. They often pick the most popular charitable causes such as support for police or firefighters and their families, veterans' relief and terminally ill children. The fraudulent solicitors ultimately derail donors' charitable intentions and undermine the public's confidence in legitimate charitable fundraising. Unfortunately, among the injured are the truly worthy organizations already competing for a depleted pool of charity dollars.

Today, Tennessee joins the FTC and several other states to promote wise charity contribution choices.

"We want Tennesseans to have all the facts before making their decisions regarding how much and to whom they want to contribute," Tennessee Attorney General Paul G. Summers said.

“A little common sense and research goes a long way to ensure your money goes to the organization to which you wish to donate and not in someone’s pocket.”

The Secretary of State is authorized by law to regulate the fundraising activities of charities and the for-profit vendors that are hired by charities to help with fundraising activities. Charities and telemarketers are required to register with the State through the Division of Charitable Solicitations.

“Over 700,000 charities raised more than \$203 billion nationally in 2001,” reports Barbara Toms, Director of the Division of Charitable Solicitations. “Registration is a method to promote accountability.”

Toms said an estimated 2,500 charities registered with the State as required, and reported revenues totaling \$15 billion. “Telemarketers worked for some of those charities, raising \$11 million but keeping \$8 million for themselves. Millions of dollars donated for charitable causes are being collected by these for-profit concerns. One of the goals of my office is to alert the public to where their money is really going and give them tips to encourage wise giving.”

Mary Clement, Director of the Division of Consumer Affairs, added, “We encourage consumers to donate to reputable charities; however, we always urge them to check out the charity ‘before’ sending them anything. One phone call can educate consumers as to the validity of a solicitor.”

Phony fundraising appeals, often made over the telephone, target both consumers and individual business donors. In this type of deceptive fundraising, telemarketers for groups with names related to law enforcement or fire fighters play on the natural impulse of concerned citizens to support their local protectors. Sometimes telemarketers misrepresent affiliation with local or county police or some other local institution, which the telemarketers falsely claim will benefit from a donation.

Businesses are often targeted to support worthy-sounding causes such as buying ads in law enforcement journals or purchasing items such as children's activity books to be donated to local hospitals for use by sick children.

Tennessee officials and the FTC urge consumers to take the time to verify the claims of people who are soliciting charitable donations, particularly in a telephone solicitation or other high-pressure donation situation. Ask the solicitor how much of the donation will go to support the described programs. Call the local police or other group to make sure that they will really benefit from a donation. Check up on the charity and/or report deceptive solicitations at the Charitable Solicitations Division at 615-741-2555 or on the website at www.state.tn.us/sos/charity. You may also contact www.guidestar.org or at the BBB, www.give.org and/or the FTC at 1-877-382-4357 for more information. Beginning July 1, 2003, a special toll-free number will be established for consumers to ask questions, file complaints and seek information not available at the Division’s website.

The FTC has prepared and released a series of consumer and business education materials with tips on reducing the risk of being victimized by deceptive solicitations. Included is a new publication for caregivers of seniors who are subject to abusive solicitations, including repeated telephone solicitations or high volume direct mail solicitations. Also available is a brochure for non-profit organizations that may be considering hiring a professional fundraiser. Copies of these publications are available from the FTC's Web site at: <http://www.ftc.gov/charityfraud> and from the FTC's Consumer Response Center, as well as from the Division of Consumer Affairs at 741-4737. To file a complaint or to get free information on wise giving, call the Division of Consumer Affairs at 1-800-342-8385 or visit www.ftc.gov/charityfraud or call the FTC toll-free, 1-877-FTC-HELP (1-877-382-4357).

Tips for consumers and businesses include:

- *Be wary of emotional appeals, especially pleas involving patriotism and current events.
- *Check to make sure the donation will support the described program.
- *Ask for the name of the charity if the telemarketer does not provide it promptly.
- *Ask what percentage of the donation is used to support the causes described in the solicitation, and what percentage is used for administrative costs.
- *If the telemarketer claims that the charity will support local organizations, call the local groups to verify.
- *Avoid cash gifts. They can be lost or stolen. For security and tax record purposes, it's best to pay by check, made payable to the beneficiary, not the solicitor.
- *If you do not wish to be called again by a fundraiser, ask to be placed on that fundraiser's "do not call" list. The FTC's Telemarketing Sales Rule requires professional fundraisers to establish an in-house list of individuals who do not wish to be called again. If the fundraiser ignores your request, report the problem to the FTC.
- *Report suspicious solicitation calls. Call your state's charity regulator or the FTC at 1-877-FTC-HELP (1-877-382-4357). Make sure to include the name of the nonprofit or the fundraiser and information about what the donation was supposed to support.